

## Message Text

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ORIGIN USIA-15

INFO OCT-01 EUR-12 ISO-00 RSC-01 /029 R

66617

DRAFTED BY: USIA/IOP/C:RRICHARDSON

APPROVED BY: EUR/EX:JCARDOZO

USIA/IOP:RKTOWERY

USIA/IEE:JMANDROS

USIA/IOP/G:DJHAFREY

STATE:EUR/EE:CBROWN PHONE

EUR/SOV:MGARRISON SUBSTANCE

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R 170040Z JAN 75

FM SECSTATE WASHDC

TO AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

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E.O. 11652: N/A

FOLLOWING REPEAT USIA 0900-U SENT ALL PRINCIPAL USIS POSTS  
AND FORT BRAGG DATED JAN 14.

QUOTE

UNCLAS USIA 0900 JAN 15, 1975

CIRCULAR PRIORITY INFOGUIDE 75-1

FT. BRAGG, JFK CENTER FOR MILITARY ASSISTANCE

ATTN: GEBUHR

E.O. 11652: N/A

SUBJECT: THE TRADE ACT OF 1974

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WHILE AGENCY AT PRESENT TIME UNABLE TO PROVIDE POSTS WITH MATERIALS FOR HEAD-ON REBUTTAL TO CRITICISM OF GENERAL SYSTEM OF PREFERENCES (GSP), POSTS ARE URGED TO SEEK EVERY OPPORTUNITY TO STRESS OVERALL REPEAT OVERALL BENEFITS WHICH LDC'S WILL DERIVE FROM NEGOTIATIONS WHICH WILL FLOW FROM TRADE ACT OF 1974. IN A LANDMARK PIECE OF LEGISLATION (PRINTED TEXT ESTIMATED AT APPROXIMATELY 270 PAGES), THERE IS MUCH MORE THAN GSP INVOLVED AND WE SHOULD NOT LET CRITICS PREEMPT THE FIELD. FOLLOWING TALKING POINTS ARE FOR USE IN BROADENING DISCUSSION FROM CURRENT UNBALANCED FOCUS ON RESTRICTIVE PROVISIONS OF GSP TO WIDER AND EXTREMELY POSITIVE ASPECTS OF THIS SIGNIFICANT LEGISLATION.

1. WITH PASSAGE OF THE TRADE ACT OF 1974 ON DECEMBER 20, UNITED STATES REMAINS FIRMLY ON POLICY PATH IT TOOK IN 1934; IT WAS THEN THAT FIRST TRADE AGREEMENTS ACT WAS PASSED AS EFFORT TO MOVE TOWARD INTERNATIONAL COOPERATION AND AWAY FROM INTERNATIONAL CHAOS ARISING OUT OF GREAT DEPRESSION.

2. AFTER NUMEROUS AMENDMENTS THE 1934 ACT WAS OVERHAULED DRAMATICALLY IN THE TRADE EXPANSION ACT OF 1962, WHICH LED TO KENNEDY ROUND OF TARIFF NEGOTIATIONS CULMINATING IN JUNE 1967.

3. BECAUSE DECISIONS OF KENNEDY ROUND WERE TO TAKE EFFECT IN FIVE STAGES AND WOULD NOT BE FULLY IMPLEMENTED UNTIL JANUARY 1972, GATT CONTRACTING PARTIES IN FALL OF 1967 BEGAN LONG-RANGE STUDY PROGRAM FOR FUTURE TRADE NEGOTIATIONS. THIS WORK CULMINATED IN DECLARATION OF TOKYO IN SEPTEMBER 1973 IN WHICH 102 COUNTRIES AGREED TO PARTICIPATE IN NEW AND COMPREHENSIVE NEGOTIATIONS; SUCH NEGOTIATIONS WOULD COVER ALL ASPECTS OF TRADE (INCLUDING MANY NON-TARIFF BARRIERS WHICH HAVE BECOME INCREASINGLY IMPORTANT AS TARIFFS HAVE BEEN REDUCED OVER THE YEARS) AND WOULD CONSIDER PROBLEMS OF THE LDC'S.

BEGINNING OF NEGOTIATIONS, HOWEVER, HAD TO AWAIT PASSAGE OF NECESSARY LEGISLATION BY US CONGRESS SINCE US EXECUTIVE HAD NO AUTHORITY FOR ANY FURTHER TRADE NEGOTIATIONS FOLLOWING THE KENNEDY ROUND AND EXPIRATION OF THE TRADE EXPANSION ACT NEGOTIATING AUTHORITY.

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4. THE TRADE ACT OF 1974 IS LANDMARK LAW BECAUSE IT ESTABLISHES GUIDELINES FOR US PARTICIPATION AND LEADERSHIP IN THE WORLD'S NEXT MAJOR TRADE NEGOTIATIONS WHICH WILL SET CONDITIONS FOR TRADE FOR NEXT DECADE.

5. THOSE GUIDELINES ARE EXTREMELY IMPORTANT TO BOTH US AND THE WORLD BECAUSE THEY NOT ONLY CALL FOR LOWERING OF TRADE BARRIERS

BUT ALSO FOR REFORM OF ENTIRE TRADING SYSTEM. FOR EXAMPLE, IMPENDING "TOKYO ROUND" OF NEGOTIATIONS WILL INCLUDE NOT ONLY TARIFFS BUT ALSO NON-TARIFF BARRIERS.

6. PASSAGE OF TRADE ACT OPENS WAY TO MULTILATERAL TRADE NEGOTIATIONS WHICH COULD EXTEND OVER THE NEXT FIVE YEARS. IN THESE NEGOTIATIONS, THE DC'S AND LDC'S HAVE COMMON INTERESTS. ONE COMMON INTEREST WILL BE TO LOWER BARRIERS ON PRODUCTS OF PARTICULAR IMPORTANCE TO EACH COUNTRY. FOR ITS PART US INTENDS TO WORK VERY CLOSELY WITH LDC'S IN THE NEGOTIATIONS TO SEE THAT MAXIMUM IS DONE TO EXPAND THEIR TRADE. US IS COMMITTED TO WORKING TO CUT TARIFFS AS DEEPLY AS POSSIBLE ON PRODUCTS OF PARTICULAR INTEREST TO LDC'S. ANOTHER COMMON INTEREST IN THE NEGOTIATIONS WILL BE THE DEVELOPMENT OF SETS OF RULES COVERING SUCH PROBLEMS AS STANDARDS, GOVERNMENT PROCUREMENT, AND SUBSIDIES; ALL COUNTRIES HAVE AN INTEREST IN ESTABLISHING COMMON RULES COVERING THE MOVEMENT OF GOODS AND SERVICES IN WORLD TRADE.

7. FOR THE LDC'S THE LOWERING OF TRADE BARRIERS BETWEEN DEVELOPED COUNTRIES ALSO MAKES THOSE MARKETS MORE ACCESSIBLE TO THE LDC'S.

ALSO OF IMPORTANCE TO LDC'S IS FACT THAT THEY STAND TO BENEFIT FROM NEGOTIATION OF AN IMPROVED AND STABILIZED WORLD TRADING SYSTEM. BY DEFINITION, THE DEVELOPED COUNTRIES ARE BETTER EQUIPPED THAN LDC'S TO SURVIVE IN AN UNSTABLE SYSTEM. (E.G., IN A "BEGGER THEY NEIGHBOR" SITUATION).

8. DESPITE GROWING US DOMESTIC ECONOMIC DIFFICULTIES OVER RECENT MONTHS, US ADMINISTRATION REMAINS COMMITTED TO US PARTICIPATION IN MULTI-LATERAL NEGOTIATIONS FOR LIBERALIZING SYSTEM OF WORLD TRADE. GIVEN OBVIOUS IMPORTANCE OF US ECONOMY IN WORLD, SUCH COMMITMENT TO PARTICIPATE IS CRUCIAL TO SUCCESS  
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OF EFFORTS AT REFORM. IT SHOULD BE BORNE IN MIND THAT LDC'S REPEATEDLY HAVE CRITICIZED GATT IN SUCH TERMS AS "RICH MAN'S CLUB" WITH LITTLE CONCERN FOR LDC'S. NOW, HOWEVER, WITH US HAVING ENACTED NECESSARY LEGISLATION SO THAT EXECUTIVE CAN PARTICIPATE IN MULTILATERAL NEGOTIATIONS (MTN'S) WAY IS OPEN FOR NEGOTIATIONS MUCH BROADER IN SCOPE THAB KENNEDY ROUND OR ANY PREVIOUS TRADE REFORM EFFORT. SUCH NEGOTIATIONS OFFER POTENTIAL FOR BOTH DIRECT AND INDIRECT BENEFITS OVER TIME TO THE LDC'S. BUT SUCCESS OF MTN'S, TOGETHER WITH BENEFITS ACCRUING TO LDC'S, WILL BE HEAVILY DEPENDENT ON DEGREE OF COMMITMENT LDC'S BRING TO NEGOTIATIONS.

9. US CONGRESSIONAL APPROVAL OF TRADE ACT WAS NOT AN EASY ONE. FROM INTRODUCTION OF THE TRADE BILL, IT TOOK ALMOST TWO YEARS FOR LEGISLATION TO GO THROUGH LEGISLATIVE BRANCH AND TO REACH

PRESIDENT. IT SHOULD BE NOTED THAT SOON AFTER PRESIDENT FORD ASSUMED OFFICE IN AUGUST HE MADE PASSAGE OF THE TRADE ACT ONE OF THE THREE LEGISLATIVE PRIORITIES FOR REMAINDER OF THE 93RD SESSION OF CONGRESS. EVIDENCE OF THIS PRIORITY WAS DEMONSTRATED IN PRESIDENT'S SPEECH ON DECEMBER 3, 1974, AT THE AMERICAN CONFERENCE ON TRADE, WASHINGTON, D.C., PUBLICLY URGING CONGRESSIONAL APPROVAL IN SHORT TIME REMAINING OF 93RD CONGRESS. THE TRADE BILL WAS APPROVED IN SENATE ON DECEMBER 13, WITH FINAL VERSION OF BILL PASSED BY HOUSE AND SENATE ON DECEMBER 20. FOREGOING TRAIN OF EVENTS CITED TO ILLUSTRATE CONSISTENCY OF USG'S COMMITMENT, COOPERATION BETWEEN EXECUTIVE AND LEGISLATURE, AND LEADERSHIP ROLE OF THE PRESIDENT.

10. FOR USEFUL HIGHLIGHTS OF SUBSTANCE OF TRADE ACT IN ORDER TO EXPAND ON POINT THAT ACT CONTAINS MUCH MORE THAN GSP, REFER TO FOLLOWING:

(A) "SUMMARY OF TRADE ACT OF 1974," WIRELESS FILE, JANUARY 3, 2,000 WORDS.

(B) "CONGRESSMAN ULLMAN DESCRIBES TRADE ACT OF 1974," WIRELESS FILE, DECEMBER 23, J. HARTER REPORTER.

(C) USIS FEATURE, "THE DEVELOPING COUNTRIES AND THE TRADE NEGOTIATIONS," INTERVIEW BY J. HARTER, IPS, WITH AMBASSADOR MALMGREN, SENT IN JANUARY.  
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(D) 25-PAGE SUMMARY OF TRADE ACT OF 1974, PREPARED BY STAFFS OF SENATE COMMITTEE ON FINANCE AND HOUSE WAYS AND MEANS COMMITTEE, DATED DECEMBER 30, 1974 SENT MOST POSTS IN JANUARY. KEOGH UNQUOTE KISSINGER

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
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**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
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**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 MAY 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <08 MAY 2003 by SilvaL0>; APPROVED <25 Nov 2003 by MorefiRH>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** THE TRADE ACT OF 1974 UNCLASSIFIED  
**TAGS:** OGEN, USIA  
**To:** BUCHAREST MULTIPLE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006